

**CITY OF LISBON, IOWA
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
June 30, 2004**

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CITY OF LISBON

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Kamberling	Mayor	January 2004
LuAnn Yarbrough	Mayor Pro tem	January 2004
John Bardsley	Council Member	January 2006
Guy Geinzer	Council Member	January 2008
Randy Roberts	Council Member	January 2006
Mike Williams	Council Member	January 2008
Neil Morehead	City Administrator/Clerk	Indefinite
Connie Evans	Administrative Assistant	Indefinite
Jim Craig, Moyer & Bergman	City Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Lisbon, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lisbon, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lisbon as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 12, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 30 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Lisbon's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements, which were prepared on the basis of accounting described in Note 1. The supplemental information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lisbon provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased by 36.3%, or approximately \$641,000, from fiscal 2003 to fiscal 2004. The largest decrease was due to bond proceeds received in fiscal 2003 totaling \$407,000 and also a decrease from the prior year in the net transfer from the enterprise funds of \$96,000 and a decrease in local option sales tax collections of \$98,000.
- Disbursements for governmental activities decreased 30%, or approximately \$532,000 in fiscal 2004 from fiscal 2003. Public safety, public works, culture and recreation, general government, debt service and capital projects decreased approximately \$83,000, \$3,000, \$30,000, \$1,000, \$224,000 and \$196,000, respectively. Community and economic development expenditures increased \$5,000 over the prior year.
- The City's total cash basis net assets decreased approximately \$4,000 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased by approximately \$119,000 and business-type activities increased by \$115,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and support the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, these financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principals. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- ° Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- ° Business-Type Activities include the waterworks, sanitary sewer system and solid waste. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Cemetery. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and solid waste funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, going from \$1,002,000 to \$883,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 116	\$ 117
Operating grants, contributions and restricted interest	201	200
General receipts:		
Property tax	654	685
Local option sales tax	63	161
Grants and contributions not restricted to specific purposes	6	28
Unrestricted investment earnings	15	26
Bond proceeds	-	407
Other general receipts	42	18
Transfers, net	<u>30</u>	<u>126</u>
Total receipts and transfers	<u>1,127</u>	<u>1,768</u>
Disbursements:		
Public safety	130	213
Public works	133	136
Culture and recreation	109	139
Community and economic development	46	41
General government	126	127
Debt service	225	449
Capital projects	<u>477</u>	<u>673</u>
Total disbursements	<u>1,246</u>	<u>1,778</u>
Decrease in cash basis net assets	(119)	(10)
Cash basis net assets, beginning of year	<u>1,002</u>	<u>1,012</u>
Cash basis net assets, end of year	<u>\$ 883</u>	<u>\$ 1,002</u>

The City's total receipts for governmental activities decreased by 36%, or \$641,000. The total cost of all programs and services decreased by approximately \$532,000, or 30%, with no new programs added this year.

The City property tax rates for 2004 remained at 12.67, the same as 2003.

The cost of all governmental activities this year was \$1,246,000, compared to \$1,778,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 13-16, the amount taxpayers ultimately financed for these activities was only \$928,721 because some of the cost was paid by those who directly benefited from the programs (charges for service \$115,912) or by other governments and organizations that subsidized certain programs with grants and contributions (\$200,962). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2004 from \$316,766 to \$316,874. The City paid for the remaining "public benefit" portion of governmental activities with \$928,721 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

**Changes in Cash Basis Net Assets of Business-Type Activities
(Expressed in Thousands)**

	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 186	\$ 183
Sewer	164	148
Solid waste	111	110
General receipts:		
Unrestricted investment earnings	3	-
Other general receipts	<u>127</u>	<u>1</u>
Total receipts	<u>591</u>	<u>442</u>
Disbursements and transfers:		
Water	126	105
Sewer	214	148
Solid waste	106	100
Transfers, net	<u>30</u>	<u>126</u>
Total disbursements and transfers	<u>476</u>	<u>479</u>
Increase (decrease) in cash basis net assets	115	(37)
Cash basis net assets, beginning of year	<u>455</u>	<u>492</u>
Cash basis net assets, end of year	<u>\$ 570</u>	<u>\$ 455</u>

Total business-type activities receipts for the fiscal year were \$591,000 compared to \$442,000 last year. This significant increase was due primarily to the receipt of \$127,000 in miscellaneous sewer revenues due to a lawsuit settlement. The cash balance increased this year approximately \$115,000. The cash balance still includes bond proceeds received in 2003 that will not be spent until approved through council next year. Total disbursements and transfers for the fiscal year decreased by \$3,000, to a total of \$476,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lisbon completed the year, its governmental funds reported a combined fund balance of \$883,000, a decrease of \$119,000 over the prior year. The following are the major reasons for the changes in the fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$136,735 from the prior year to \$431,644.
- The Capital Projects Fund, Wastewater Treatment Plant, decreased \$267,928 from the prior year to \$(190,928).

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

As the City of Lisbon completed the year, its business-type funds reported a combined fund balance of \$569,000, an increase of more than \$114,000 over the prior year. The receipt of a lawsuit settlement of \$127,078 contributed primarily to this gain. While there were expenses related to the lawsuit, overall expenditures and transfers were down, helping to increase the total fund balance. The Water and Sewer Funds increased over the prior year by \$62,06 and \$47,159, respectively.

COMBINED FUND ANALYSIS

The total fund balance for the City of Lisbon decreased from 2003 by \$3,896. For the most part the business-type funds offered less support to the governmental funds through transfers in 2004 than in 2003. The governmental funds ended with a decreased fund balance reflective of a decrease in support from the business-type funds. Overall, taxpayers funded a greater portion of the 2004 budget due to the decrease in revenues received from intergovernmental support, other city taxes, and reduced revenues from local option sales tax revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once, in May 2004. The amendment was approved on May 24, 2004 and resulted in an increase in revenues of \$157,000 and an increase in expenditures of \$334,610.

DEBT ADMINISTRATION

At June 30, 2004, the City had \$780,000 in bonds and other long-term debt, compared to \$961,250 last year, as show below.

	Outstanding Debt at Year End	
	Year Ended June 30,	
	<u>2004</u>	<u>2003</u>
General obligation capital loan notes	\$ 705,000	\$ 886,250
Special assessment capital loan notes	<u>75,000</u>	<u>75,000</u>
Total	<u>\$ 780,000</u>	<u>\$ 961,250</u>

The City does not carry a general obligation bond rating assigned by national rating agencies due to the small size of the City and the debt that we traditionally bond for; additionally, it is considered that the cost associated with obtaining such a rating would not be in line with any potential resulting savings or points discounted. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$705,000 is significantly below its constitutional debt limit of \$3,914,058.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator at Lisbon City Hall (319) 455-2459.

BASIC FINANCIAL STATEMENTS

CITY OF LISBON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2004

		<u>Program Receipts</u>	
		<u>Charges for</u>	<u>Operating Grants,</u>
	<u>Disbursements</u>	<u>Service</u>	<u>Contributions,</u>
			<u>and Restricted</u>
			<u>Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 130,346	\$ 2,207	\$ 13,258
Public works	133,261	-	161,061
Culture and recreation	108,870	13,292	25,366
Community and economic development	46,096	-	-
General government	125,774	100,413	1,277
Debt service	224,467	-	-
Capital projects	<u>476,781</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>1,245,595</u>	<u>115,912</u>	<u>200,962</u>
Business type activities:			
Water	120,242	179,522	-
Sewer	213,774	163,855	-
Solid waste	105,832	111,328	-
Meter deposits	<u>6,475</u>	<u>6,522</u>	<u>-</u>
Total business type activities	<u>446,323</u>	<u>461,227</u>	<u>-</u>
Total	<u>\$ 1,691,918</u>	<u>\$ 577,139</u>	<u>\$ 200,962</u>
General Receipts:			
Property tax levied for:			
General purposes			
Tax increment financing			
Debt service			
Local option sales tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
\$ (114,881)	\$ -	\$ (114,881)
27,800	-	27,800
(70,212)	-	(70,212)
(46,096)	-	(46,096)
(24,084)	-	(24,084)
(224,467)	-	(224,467)
<u>(476,781)</u>	<u>-</u>	<u>(476,781)</u>
<u>(928,721)</u>	<u>-</u>	<u>(928,721)</u>
-	59,280	59,280
-	(49,919)	(49,919)
-	5,496	5,496
<u>-</u>	<u>47</u>	<u>47</u>
<u>-</u>	<u>14,904</u>	<u>14,904</u>
<u>(928,721)</u>	<u>14,904</u>	<u>(913,817)</u>
410,389	-	410,389
122,886	-	122,886
120,351	-	120,351
63,374	-	63,374
6,417	-	6,417
15,091	2,781	17,872
38,078	127,078	165,156
3,476	-	3,476
<u>30,000</u>	<u>(30,000)</u>	<u>-</u>
<u>810,062</u>	<u>99,859</u>	<u>909,921</u>

(continued)

CITY OF LISBON

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2004

		<u>Program Receipts</u>
	<u>Disbursements</u>	<u>Charges for Service</u> <u>Operating Grants, Contributions, and Restricted Interest</u>
Change in cash basis net assets		
Cash basis net assets, beginning of year		
Cash basis net assets, end of year		
Cash Basis Net Assets		
Restricted:		
Streets		
Maintenance and improvements		
Urban renewal purposes		
Debt service		
Cemetary perpetual care		
Other purposes		
Unrestricted		
Total Cash Basis Net Assets		

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

Governmental Activities	Business Type Activities	Total
(118,659)	114,763	(3,896)
<u>1,001,865</u>	<u>455,045</u>	<u>1,456,910</u>
<u>\$ 883,206</u>	<u>\$ 569,808</u>	<u>\$ 1,453,014</u>
\$ 201,737	\$ -	\$ 201,737
-	10,000	10,000
162,498	-	162,498
120,660	10,936	131,596
62,310	-	62,310
(95,643)	14,516	(81,127)
<u>431,644</u>	<u>534,356</u>	<u>966,000</u>
<u>\$ 883,206</u>	<u>\$ 569,808</u>	<u>\$ 1,453,014</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF LISBON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds**

As of and for the year ended June 30, 2004

		<u>Special Revenue</u>		<u>Debt</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>Urban Renewal Tax Increment</u>	<u>Debt Service</u>
Receipts:				
Property tax	\$ 366,378	\$ -	\$ -	\$ 120,351
Tax increment financing collections	-	-	122,886	-
Other city tax	13,194	-	-	181
Licenses and permits	4,322	-	-	-
Use of money and property	15,574	-	-	1
Intergovernmental	40,097	158,080	-	-
Charges for service	21,729	-	-	-
Special assessments	-	-	-	-
Miscellaneous	<u>30,012</u>	<u>-</u>	<u>8,637</u>	<u>-</u>
Total receipts	<u>491,306</u>	<u>158,080</u>	<u>131,523</u>	<u>120,533</u>
Disbursements:				
Operating:				
Public safety	109,329	-	-	-
Public works	11,701	100,285	-	-
Culture and recreation	104,453	-	-	-
Community and economic development	12,156	-	33,894	-
General government	118,623	-	-	-
Debt service	1,785	-	-	222,682
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>358,047</u>	<u>100,285</u>	<u>33,894</u>	<u>222,682</u>
Excess (deficiency) of receipts over (under) disbursements	<u>133,259</u>	<u>57,795</u>	<u>97,629</u>	<u>(102,149)</u>
Other financing sources (uses):				
Sale of capital assets	3,476	-	-	-
Operating transfers in	-	-	9,404	100,549
Operating transfers out	<u>-</u>	<u>-</u>	<u>(49,763)</u>	<u>-</u>
Total other financing sources (uses)	<u>3,476</u>	<u>-</u>	<u>(40,359)</u>	<u>100,549</u>

<u>Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Special Assessment Notes</u>	<u>Wastewater Treatment Plant</u>		
\$ -	\$ -	\$ 44,011	\$ 530,740
-	-	-	122,886
-	-	63,374	76,749
-	-	-	4,322
-	-	-	15,575
-	-	-	198,177
-	-	-	21,729
82,403	-	-	82,403
<u>-</u>	<u>-</u>	<u>2,230</u>	<u>40,879</u>
<u>82,403</u>	<u>-</u>	<u>109,615</u>	<u>1,093,460</u>
-	-	21,017	130,346
-	-	21,275	133,261
-	-	4,417	108,870
-	-	46	46,096
-	-	7,151	125,774
-	-	-	224,467
<u>-</u>	<u>448,408</u>	<u>28,373</u>	<u>476,781</u>
<u>-</u>	<u>448,408</u>	<u>82,279</u>	<u>1,245,595</u>
<u>82,403</u>	<u>(448,408)</u>	<u>27,336</u>	<u>(152,135)</u>
-	-	-	3,476
-	180,480	148	290,581
<u>(50,934)</u>	<u>-</u>	<u>(159,884)</u>	<u>(260,581)</u>
<u>(50,934)</u>	<u>180,480</u>	<u>(159,736)</u>	<u>33,476</u>

(continued)

CITY OF LISBON

**Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds**

As of and for the year ended June 30, 2004

		<u>Special Revenue</u>		<u>Debt</u>
	<u>General</u>	<u>Road Use Tax</u>	<u>Urban Renewal Tax Increment</u>	<u>Debt Service</u>
Net change in cash balances	136,735	57,795	57,270	(1,600)
Cash balances, beginning of year	<u>294,909</u>	<u>143,942</u>	<u>105,228</u>	<u>10,939</u>
Cash balances, end of year	<u>\$ 431,644</u>	<u>\$ 201,737</u>	<u>\$ 162,498</u>	<u>\$ 9,339</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ 9,339
Police reserve	27,700	-	-	-
Unreserved:				
General fund	403,944	-	-	-
Special revenue funds	-	201,737	162,498	-
Capital projects fund	-	-	-	-
Permanent fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 431,644</u>	<u>\$ 201,737</u>	<u>\$ 162,498</u>	<u>\$ 9,339</u>

<u>Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
<u>Special Assessment Notes</u>	<u>Wastewater Treatment Plant</u>		
31,469	(267,928)	(132,400)	(118,659)
<u>79,852</u>	<u>77,000</u>	<u>289,995</u>	<u>1,001,865</u>
<u>\$ 111,321</u>	<u>\$ (190,928)</u>	<u>\$ 157,595</u>	<u>\$ 883,206</u>
\$ -	\$ -	\$ -	\$ 9,339
-	-	-	27,700
-	-	-	403,944
111,321	-	99,735	575,291
-	(190,928)	(4,450)	(195,378)
<u>-</u>	<u>-</u>	<u>62,310</u>	<u>62,310</u>
<u>\$ 111,321</u>	<u>\$ (190,928)</u>	<u>\$ 157,595</u>	<u>\$ 883,206</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF LISBON

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2004

	Enterprise Funds				
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Meter Deposits</u>	<u>Total</u>
Operating receipts:					
Use of money and property	\$ 2,781	\$ -	\$ -	\$ -	\$ 2,781
Charges for service	179,522	163,855	111,328	-	454,705
Miscellaneous	<u>-</u>	<u>127,078</u>	<u>-</u>	<u>6,522</u>	<u>133,600</u>
Total operating receipts	182,303	290,933	111,328	6,522	591,086
Operating disbursements:					
Business type activities	<u>118,490</u>	<u>212,285</u>	<u>104,376</u>	<u>6,475</u>	<u>441,626</u>
Excess of operating receipts over operating disbursements	63,813	78,648	6,952	47	149,460
Non-operating disbursements:					
Debt service	<u>1,752</u>	<u>1,489</u>	<u>1,456</u>	<u>-</u>	<u>4,697</u>
Excess of receipts over disbursements	62,061	77,159	5,496	47	144,763
Operating transfers out	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Net change in cash balances	62,061	47,159	5,496	47	114,763
Cash balances, beginning of year	<u>322,294</u>	<u>65,433</u>	<u>52,848</u>	<u>14,470</u>	<u>455,045</u>
Cash balances, end of year	<u>\$ 384,355</u>	<u>\$ 112,592</u>	<u>\$ 58,344</u>	<u>\$ 14,517</u>	<u>\$ 569,808</u>
Cash Basis Fund Balances					
Reserved for debt service	\$ 936	\$ -	\$ -	\$ -	\$ 936
Reserved for improvements	20,000	-	-	-	20,000
Unreserved	<u>363,419</u>	<u>112,592</u>	<u>58,344</u>	<u>14,517</u>	<u>548,872</u>
Total cash basis fund balances	<u>\$ 384,355</u>	<u>\$ 112,592</u>	<u>\$ 58,344</u>	<u>\$ 14,517</u>	<u>\$ 569,808</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF LISBON

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Lisbon is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general administrative services. The City also provides water, sewer and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF LISBON

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from the other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the receipt and expenditure of local option sales taxes.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

CITY OF LISBON
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the costs associated with solid waste removal which is funded through user fees.

C. Measurement Focus and Basis of Accounting

The City of Lisbon maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Deposits

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits at June 30, 2004 is \$1,453,014 and is shown as the total end of year balance in the financial statements. The City's deposits at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CITY OF LISBON

Notes to Financial Statements

June 30, 2004

(2) Deposits (continued)

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidence of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation and special assessment notes are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Capital Loan Notes</u>		<u>Special Assessment Capital Loan Notes</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 155,000	\$ 32,968	\$ -	\$ 4,360	\$ 155,000	\$ 37,328
2006	115,000	25,843	-	4,360	115,000	30,203
2007	80,000	19,095	-	4,360	80,000	23,455
2008	80,000	16,255	20,000	4,360	100,000	20,615
2009	90,000	12,695	25,000	3,220	115,000	15,915
2010	90,000	8,555	30,000	1,770	120,000	10,325
2011	45,000	4,280	-	-	45,000	4,280
2012	<u>50,000</u>	<u>2,300</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>2,300</u>
Total	<u>\$ 705,000</u>	<u>\$ 121,991</u>	<u>\$ 75,000</u>	<u>\$ 22,430</u>	<u>\$ 780,000</u>	<u>\$ 144,421</u>

During the current year, the City approved the issuance of up to \$1,200,000 of sewer revenue bonds in order to finance construction of a new wastewater treatment facility. No funds had been disbursed as of June 30, 2004.

(4) Lease-Purchase

During the current year, the City made the final payment on a lease-purchase agreement which was entered into to purchase computer equipment.

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

CITY OF LISBON

Notes to Financial Statements

June 30, 2004

(5) Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$16,561, \$16,971, and \$16,238, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2004, primarily relating to the General Fund, is \$3,201. This liability has been computed based on rates of pay as of June 30, 2004.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	\$ 49,615
	Special Assessment Notes	<u>50,934</u>
		<u>100,549</u>
Capital Projects:		
Wastewater Treatment Plant	Enterprise:	
	Sewer	30,000
	Special Revenue:	
	Local Option Sales Tax	<u>150,480</u>
		<u>180,480</u>
Capital Projects:		
Downtown Streetscape Project	Special Revenue:	
	Urban Renewal Tax Increment	<u>148</u>
Special Revenue:		
Urban Renewal Tax Increment	Capital Projects:	
	Downtown Reinvestment Program	<u>9,404</u>
Total		<u>\$ 290,581</u>

CITY OF LISBON
Notes to Financial Statements

June 30, 2004

(7) Interfund Transfers (continued)

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Money transferred into the Capital Projects, Wastewater Treatment Plant fund will be used for improvements to the City's wastewater treatment plant.

(8) Risk Management

The City of Lisbon is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Commitments

The City has entered into an agreement with a land developer in order to encourage the development of the City's urban renewal area. The City has agreed to pay the developer ½ of the costs of the project, up to a maximum subsidy of \$385,833. As of June 30, 2004, the City has paid the developer \$33,894, leaving an unpaid commitment of \$351,939.

Following is a table of the City's construction commitments at June 30, 2004:

<u>Commitment</u>	<u>Contract Amount</u>	<u>Paid to 6-30-04</u>	<u>Unpaid Commitment</u>
Wastewater treatment plant	\$ 1,539,702	\$ 425,074	\$ 1,114,627
Water storage tank coating	49,600	-	49,600
Water distribution controls	89,987	-	89,987
Water main extension	24,989	-	24,989

(10) Deficit Fund Balance

The Capital Projects, Wastewater Treatment Plant Fund, had a deficit balance of \$190,928 at June 30, 2004. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of loan proceeds.

CITY OF LISBON

Notes to Financial Statements

June 30, 2004

(11) Accounting Change

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences* were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LISBON

**Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances-
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 530,740	\$ -	\$ -
Tax increment financing collections	122,886	-	-
Other city tax	76,749	-	-
Licenses and permits	4,322	-	-
Use of money and property	15,575	2,781	-
Intergovernmental	198,177	-	-
Charges for service	21,729	454,705	-
Special assessments	82,403	-	-
Miscellaneous	<u>40,879</u>	<u>133,600</u>	<u>-</u>
Total receipts	<u>1,093,460</u>	<u>591,086</u>	<u>-</u>
Disbursements:			
Public safety	130,346	-	-
Public works	133,261	-	-
Culture and recreation	108,870	-	-
Community and economic development	46,096	-	-
General government	125,774	-	-
Debt service	224,467	-	-
Capital projects	476,781	-	-
Business type activities	<u>-</u>	<u>446,323</u>	<u>-</u>
Total disbursements	<u>1,245,595</u>	<u>446,323</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(152,135)	144,763	-
Other financing sources, net	<u>33,476</u>	<u>(30,000)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(118,659)	114,763	-
Balances, beginning of year	<u>1,001,865</u>	<u>455,045</u>	<u>-</u>
Balances, end of year	<u>\$ 883,206</u>	<u>\$ 569,808</u>	<u>\$ -</u>

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 530,740	\$ 509,961	\$ 509,961	\$ 20,779
122,886	103,567	103,567	19,319
76,749	27,042	27,042	49,707
4,322	15,200	15,200	(10,878)
18,356	20,300	20,300	(1,944)
198,177	181,500	191,500	6,677
476,434	420,100	420,100	56,334
82,403	54,500	76,500	5,903
<u>174,479</u>	<u>13,250</u>	<u>138,250</u>	<u>36,229</u>
<u>1,684,546</u>	<u>1,345,420</u>	<u>1,502,420</u>	<u>182,126</u>
130,346	241,687	241,687	111,341
133,261	146,329	167,379	34,118
108,870	117,178	117,865	8,995
46,096	52,736	209,498	163,402
125,774	130,208	138,808	13,034
224,467	297,732	297,732	73,265
476,781	1,264,000	1,281,161	804,380
<u>446,323</u>	<u>563,406</u>	<u>693,756</u>	<u>247,433</u>
<u>1,691,918</u>	<u>2,813,276</u>	<u>3,147,886</u>	<u>1,455,968</u>
(7,372)	(1,467,856)	(1,645,466)	1,638,094
<u>3,476</u>	<u>1,420,000</u>	<u>1,420,000</u>	<u>(1,416,524)</u>
(3,896)	(47,856)	(225,466)	221,570
<u>1,456,910</u>	<u>1,255,130</u>	<u>1,255,130</u>	<u>201,780</u>
<u>\$ 1,453,014</u>	<u>\$ 1,207,274</u>	<u>\$ 1,029,664</u>	<u>\$ 423,350</u>

CITY OF LISBON

Notes to Required Supplementary Information - Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$334,610. The budget amendment is reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LISBON

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2004

	<u>Special Revenue</u>		<u>Capital Projects</u>	
	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Downtown Streetscape Project</u>	<u>Westside Street Project</u>
Receipts:				
Property tax	\$ 44,011	\$ -	\$ -	\$ -
Other city tax	-	63,374	-	-
Miscellaneous	280	-	-	-
Total receipts	<u>44,291</u>	<u>63,374</u>	<u>-</u>	<u>-</u>
Disbursements:				
Operating:				
Public safety	21,017	-	-	-
Public works	21,275	-	-	-
Culture and recreation	4,417	-	-	-
Community and economic development	46	-	-	-
General government	7,151	-	-	-
Capital projects	-	-	17,161	4,450
Total disbursements	<u>53,906</u>	<u>-</u>	<u>17,161</u>	<u>4,450</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(9,615)</u>	<u>63,374</u>	<u>(17,161)</u>	<u>(4,450)</u>
Other financing sources (uses):				
Operating transfers in	-	-	148	-
Operating transfers out	-	(150,480)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(150,480)</u>	<u>148</u>	<u>-</u>
Net change in cash balances	(9,615)	(87,106)	(17,013)	(4,450)
Cash balances, beginning of year	<u>46,411</u>	<u>150,045</u>	<u>17,013</u>	<u>-</u>
Cash balances, end of year	<u>\$ 36,796</u>	<u>\$ 62,939</u>	<u>\$ -</u>	<u>\$ (4,450)</u>
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 36,796	\$ 62,939	\$ -	\$ -
Capital project funds	-	-	-	(4,450)
Permanent fund	-	-	-	-
Total cash basis fund balance	<u>\$ 36,796</u>	<u>\$ 62,939</u>	<u>\$ -</u>	<u>\$ (4,450)</u>

<u>Downtown Reinvestment Program</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ -	\$ -	\$ 44,011
-	-	63,374
-	1,950	2,230
-	1,950	109,615
-	-	21,017
-	-	21,275
-	-	4,417
-	-	46
-	-	7,151
6,762	-	28,373
6,762	-	82,279
(6,762)	1,950	27,336
-	-	148
(9,404)	-	(159,884)
(9,404)	-	(159,736)
(16,166)	1,950	(132,400)
16,166	60,360	289,995
<u>\$ -</u>	<u>\$ 62,310</u>	<u>\$ 157,595</u>
\$ -	\$ -	\$ 99,735
-	-	(4,450)
-	62,310	62,310
<u>\$ -</u>	<u>\$ 62,310</u>	<u>\$ 157,595</u>

CITY OF LISBON
Schedule of Indebtedness
Year Ended June 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation capital loan notes:			
Street improvements	Dec. 1, 1992	5.20-6.00%	\$ 220,000
Street improvements	Dec. 1, 1994	6.00-6.70%	375,000
CDBG street/sewer	July 1, 1996	5.00-5.70%	290,000
Street improvements	Dec. 1, 1999	4.60-5.30%	365,000
Street, sewer, sidewalk and lighting improvements	Oct. 1, 2002	2.40-4.60%	415,000
Total			
Special assessment capital loan notes:			
Street improvements	Dec. 1, 1999	5.00-5.90%	\$ 258,000
Loan agreements:			
Computer equipment	Sept. 7, 1999	5.00%	\$ 25,000

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 25,000	\$ -	\$ 25,000	\$ -	\$ 1,500	\$ -
90,000	-	45,000	45,000	5,985	-
110,000	-	35,000	75,000	6,165	-
275,000	-	35,000	240,000	14,058	-
<u>380,000</u>	<u>-</u>	<u>35,000</u>	<u>345,000</u>	<u>14,315</u>	<u>-</u>
<u>\$ 880,000</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 705,000</u>	<u>\$ 42,023</u>	<u>\$ -</u>
<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 4,360</u>	<u>\$ -</u>
<u>\$ 6,250</u>	<u>\$ -</u>	<u>\$ 6,250</u>	<u>\$ -</u>	<u>\$ 232</u>	<u>\$ -</u>

CITY OF LISBON

Bond and Note Maturities

Year Ended June 30, 2004

Year Ending June 30,	General Obligation Capital					
	<u>Street Improvements</u>		<u>CDBG Street/ Sewer Improvements</u>		<u>Street Improvements</u>	
	<u>Issued Dec. 1, 1994</u>		<u>Issued July. 1, 1996</u>		<u>Issued Dec. 1, 1999</u>	
	<u>Interest</u>	<u>Amount</u>	<u>Interest</u>	<u>Amount</u>	<u>Interest</u>	<u>Amount</u>
	<u>Rates</u>		<u>Rates</u>		<u>Rates</u>	
2005	6.70%	\$ 45,000	5.60%	\$ 35,000	5.00%	\$ 35,000
2006		-	5.70	40,000	5.05	35,000
2007		-		-	5.10	40,000
2008		-		-	5.15	40,000
2009		-		-	5.20	45,000
2010		-		-	5.30	45,000
2011		-		-		-
2012		-		-		-
Total		<u>\$ 45,000</u>		<u>\$ 75,000</u>		<u>\$ 240,000</u>

Year Ending June 30,	<u>Special Assessment Capital Loan Notes</u>	
	<u>Street Improvements</u>	
	<u>Issued Dec. 1, 1999</u>	
	<u>Interest</u>	<u>Amount</u>
	<u>Rates</u>	
2008	5.70%	\$ 20,000
2009	5.80	25,000
2010	5.90	<u>30,000</u>
		<u>\$ 75,000</u>

Loan Notes**Street, Sewer, Sidewalk
and Lighting Improvements****Issued Oct. 1, 2002****Interest****Rates****Amount****Total**

3.00%	\$ 40,000	\$ 155,000
3.25	40,000	115,000
3.50	40,000	80,000
3.75	40,000	80,000
4.00	45,000	90,000
4.20	45,000	90,000
4.40	45,000	45,000
4.60	<u>50,000</u>	<u>50,000</u>
	<u>\$ 345,000</u>	<u>\$ 705,000</u>

CITY OF LISBON

Schedule of Receipts by Source and Disbursements by Function-
All Governmental Funds

	<u>Years Ended June 30,</u>			
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Receipts:				
Property tax	\$ 530,740	\$ 504,061	\$ 467,504	\$ 418,638
Tax increment financing collections	122,886	181,063	168,066	156,323
Other city tax	76,749	172,367	57,890	10,330
Licenses and permits	4,322	9,130	8,551	9,025
Use of money and property	15,575	29,910	39,389	71,396
Intergovernmental	198,177	213,381	226,404	245,998
Charges for service	21,729	11,724	7,283	7,458
Special assessments	82,403	71,750	132,111	106,329
Miscellaneous	<u>40,879</u>	<u>41,112</u>	<u>42,263</u>	<u>46,152</u>
Total	<u>\$ 1,093,460</u>	<u>\$ 1,234,498</u>	<u>\$ 1,149,461</u>	<u>\$ 1,071,649</u>
Disbursements:				
Operating:				
Public safety	\$ 130,346	\$ 213,340		
Public works	133,261	135,567		
Culture and recreation	108,870	138,705		
Community and economic development	46,096	41,154		
General government	125,774	127,508		
Debt service	224,467	448,621		
Capital projects	<u>476,781</u>	<u>673,128</u>		
Total	<u>\$ 1,245,595</u>	<u>\$ 1,778,023</u>		

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council
Lisbon, Iowa

We have audited the financial statements of the City of Lisbon, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 10, 2004. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Lisbon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lisbon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City of Lisbon's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lisbon and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lisbon during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Clifton Gunderson LLP

Cedar Rapids, Iowa
August 10, 2004

CITY OF LISBON
Schedule of Findings
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was also considered a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF LISBON
Schedule of Findings
Year Ended June 30, 2004

Part II: Findings Related to the Financial Statements:

Instances of non-compliance

No matters were noted.

Reportable conditions

II-A-04 Segregation of Duties

Comment - The limited number of personnel involved in the accounting department makes it difficult to achieve ideal internal accounting control through the complete segregation of employee duties. The concentration of closely related duties and responsibilities performed by a small number of staff, makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability. This condition increases the possibility that errors or irregularities may occur and not be detected on a timely basis.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The City is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

Conclusion - Response acknowledged.

CITY OF LISBON
Schedule of Findings
Year Ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting:

III-A-04 Official Depositories

A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

III-B-04 Certified Budget

City disbursements during the year ended June 30, 2004, did not exceed the amounts budgeted in accordance with Chapter 384.20 of the Code of Iowa which states, in part, that public monies may not be expended or encumbered except under an annual or continuing appropriation.

III-C-04 Questionable Disbursements

We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-D-04 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-E-03 Business Transactions

No business transactions between the City and City officials or employees were noted.

III-F-04 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-04 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

III-H-04 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF LISBON

Schedule of Findings

Year Ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting (continued):

III-I-04 Economic Development

The City paid \$8,000 to the Mount Vernon Area Chamber of Commerce which may not be an appropriate expenditure of public funds.

In accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. These provisions stipulate that the governing body should evaluate the public benefits to be obtained and discuss specific criteria to be considered in documenting the public purpose.

Recommendation - The Council should evaluate and document the public purpose served by an expenditure before authorizing further payments and should require the recipient to provide documentation of how the funds were used to accomplish economic development activities.

Response - We are doing this and will continue to do so.

Conclusion - Response accepted.

April 28, 2005

David A. Vaudt, CPA
Auditor of State
State House
Des Moines, Iowa 50319

Dear Mr. Vaudt:

I, Bradley Hauge, CPA, submit herewith two copies of the audit report for the CITY OF LISBON, IOWA, as provided in Chapter 11, Section 11.19, Code of Iowa.

This audit is for the period from July 1, 2003 through June 30, 2004. The comments in this report are an integral part of the audit, and are included in the entire audit as presented to the City of Lisbon. The workpapers for the audit are filed at our office and are available for your inspection.

The following personnel worked on this audit:

William M. Vincent, CPA, Partner
Bradley L. Hauge, CPA, Senior Manager
Robert Poundstone, CPA, Partner
Tim Wood, CPA, Senior Associate
Jim Fitzpatrick, CPA, Associate

None of the City records were taken out of the clerk's office.

Very truly yours,

Bradley L. Hauge, CPA
Senior Manager

BH/sd

Enclosures

**CITY OF LISBON, IOWA
115 NORTH WASHINGTON
LISBON, IOWA 52253**

NEWS RELEASE

Contact: Sandie Deahl
City Administrator/Clerk
(319) 455-2459

FOR RELEASE: April 27, 2005

Clifton Gunderson LLP, Certified Public Accountants and Consultants, has released an audit report on the City of Lisbon, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$1,688,022 for the year ended June 30, 2004, a one percent increase from 2003. The receipts included \$530,740 in property tax, \$122,886 from tax increment financing collections, \$577,139 from charges for service, \$200,962 from operating grants, contributions, and restricted interest, \$63,374 from local option sales tax, \$6,417 from capital grants and contributions, \$17,872 from unrestricted investment earnings and \$168,632 from other general receipts.

Disbursements for the year totaled \$1,691,918, a twenty-one percent decrease from the prior year, and included \$476,781 for capital projects, \$224,467 for debt service and \$133,261 for public works. Also, disbursements for business type activities totaled \$446,323.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.

April 28, 2005

KGAN Television
600-2 Old Marion Road, NE
Cedar Rapids, Iowa 52402

To Whom It May Concern:

This is to notify you that we have completed an audit of the records of the CITY OF LISBON, IOWA, for the fiscal year which ended June 30, 2004, and have filed required copies of our report thereon with the officers of that public body and the Iowa Auditor of State.

This notice is given in compliance with instructions from the Iowa Auditor of State and paragraph 3, Section 11.19, Code of Iowa, which provides:

"In addition to the foregoing, notice that the report has been filed shall be forwarded immediately to each newspaper, radio station, or television station located in the city, school district or township which is under investigation or audit; except that if there is no newspaper, radio station, or television station located therein, the notice shall be sent to the official newspapers of the county."

Sincerely

Bradley L. Hauge, CPA
Senior Manager

BH/sd

April 28, 2005

The Sun
113 First Street W
Mt. Vernon, Iowa 52314

To Whom It May Concern:

This is to notify you that we have completed an audit of the records of the CITY OF LISBON, IOWA, for the fiscal year which ended June 30, 2004, and have filed required copies of our report thereon with the officers of that public body and the Iowa Auditor of State.

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Sincerely,

Bradley L. Hauge, CPA
Senior Manager

BH/sd

April 28, 2005

City of Lisbon
115 N. Washington
Lisbon, Iowa 52253

Attention: Sandie Deahl, City Administrator

Detailed billing for services in connection with the annual audit of funds transactions, preparation of State of Iowa Annual Financial Report, and preparation of audit report for the City of Lisbon for the fiscal year ended June 30, 2004, is as follows:

Professional services:

<u>Staff Personnel</u>	<u>Dates</u>	<u>Hours</u>
Bradley L. Hauge, CPA Senior Manager, #4807	August 9 and 10, 2004 Non-field work	17.60 37.90
William M. Vincent, CPA Partner, #3657	Non-field work	7.75
Robert Poundstone, CPA Partner, #3381	Non-field work	1.00
Tim Wood, CPA Senior Associate	August 9 and 10, 2004	13.95
Jim Fitzpatrick, CPA Associate	Non-field work	4.00
Clerical		<u>8.50</u>
Total		<u>90.70</u>
Total fee amount for services described above		<u>\$ 8,925.00</u>